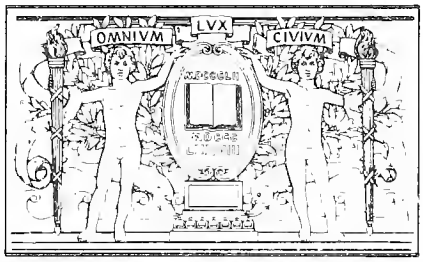


BOSTON
PUBLIC
LIBRARY

CITY OF BOSTON FINANCE COMMISSION

24 SCHOOL STREET BOSTON, MASS. 02108 LAFAYETTE 3-1622

I

February 10, 1969

To the Honorable the Mayor:

One aspect of the City's financial picture which tends to be overlooked in discussions of municipal finance is the debt situation. The Finance Commission believes it is of the utmost importance to review that situation and keep it firmly in mind in shaping financial policy.

Boston's spiraling debt picture can be pointed up very simply with the following statistics:-

1. The City's net debt has almost tripled in the last dozen years, escalating from $58,600,000 in 1956 to close to $160,000,000 at the close of 1968. It has increased by 66% in the past 5 years.

   It has now reached the highest level of debt in the history of the City.

2. On top of this, there is an amount of about $150,000,000 in Loan Authorizations. This accumulated authorization to borrow for schools, public buildings of various kinds, urban redevelopment, et al. will become additional debt when such new debt is issued.
3. It cost Boston $18,800,000 in 1968 to service this stupendous debt. This meant about $12 in the tax rate.
4. Boston's share of the Metropolitan District net debt (sewer, water, and parks) continues to rise; it is now approximately $90,000,000.

The attached tables present the debt picture in detail.

Table I shows the City's debt during the past dozen years, the rise since 1956 and the sharp increase during the past 5 years.

Table II presents the list of purposes, and the amounts, for which loans have been authorized but not yet issued. Most of these projects will soon be carried out and debt issued for their funding.

Table III presents the detail of the City and County funded debt.

Table IV lists the purposes for which debt was issued in 1968 and the amounts.

Table V shows Boston's share in the Metropolitan District Debt covering the 3 divisions of the Metropolitan District Commission. The City shares heavily in the cost of these metropolitan activities but has no direct voice in their control.

Table VI presents the outstanding City debt as of December 31 1968.

Table I

BOSTON'S NET DEBT AT YEAR END

1956 - 1968

1956	$ 58,652,208.13
* 1957	70,832,868.95
1958	111,588,963.38
1959	103,413,775.81
1960	101,016,708.28
1961	96,618,165.71
1962	94,690,775.93
1963	94,993,030.40
1964	108,916,200.87
1965	111,054,863.89
1966	117,791,418.34
** 1967	142,190,169.82
1968	157,396,263.90

* A $45,000,000 Funding Loan was provided in 1957 to meet a deficit in the Excess and Deficiency Account and an accumulation of overlay deficits due in large part to abatements granted.

** Boston's previous highest debt level, in the 1909-1967 span of years, was $135,815,273 in 1933.

Table II

LOANS AUTHORIZED BUT NOT ISSUED

		Inside Debt Limit	Outside Debt Limit
10-19-54	Cons. of Bldgs., Orig. Equip. & Furn. Thereof	$ 5,750,000	
7-31-56	Off-St. Parking Fac.		$ 1,150,000
11-6-56	Bridges, Cons. of	500,000	
8-20-57	Urban Redev. Loan (West End)		2,000,000
10-22-57	Municipal Audit		1,348.98
12-22-58	New City Hall, Cons. of		1,120
12-2-63	Cons. of Sch. Bldgs. Acq. Land,etc.		26,500,000
1-21-64	Departmental Equip. Hospital	4,000	
4-15-64	Remod., Recons. & Ext. Rep. Hosp.-752 of '63		1,000,000
5-7-64	Urban Redev. Loan (Washington Park)		255,000
9-11-64	" " " (Waterfront)		7,000,000
9-11-64	" " " (Gov't Center)		1,000,000
8-5-65	Off-Street Parking Fac.		500,000
8-5-65	Cons. of Bldgs., Orig. Equip., etc.	550,000	
9-1-65	Urban Redev. Loan (Charlestown)		5,300,000
1-19-66	" " " (South End)		3,260,000
2-2-66	Cons. of Sch. Bldgs., Acq. Land, etc.		19,000,000
6-10-66	Laying & Relaying Water Mains		700,000
7-21-66	Off-Street Parking Fac.		2,750,000
7-21-66	Cons. Bldgs.,Orig. Eq., etc.	2,500,000	
7-21-66	" " " " "	1,735,000	
3-10-67	Departmental Equipment	500,000	
5-17-67	Pl.,Des.,Ac.Land for Cons.(Libr.)		18,700,000
5-17-67	" " " " (Parks & Rec.)		1,460,000
5-17-67	" " " " (Health & Hosps.)		2,050,000
5-17-67	" " " " (Police)		765,000
5-17-67	" " " " (Traffic & Pkg.)		370,000
6-26-67	Urban Redev. Washington Pk. Project		4,925,000
6-26-67	Sewerage Works	400,000	
6-26-67	Urban Redev. Gov't Ctr. Renew. Project		2,805,000
1-11-68	Pl.,Des.,Acq.Land Cons.(Sch.)		11,000,000
5-8-68	" " " " (Hospital)		10,250,000
5-8-68	Con.& Lay.Aqueducts & Water Mains		1,300,000
5-8-68	Rem., Rec.,Ext.Rep. Sch. Bldgs.	500,000	
5-8-68	Cons. of Sewers	1,250,000	
5-8-68	Orig. Cons. Public Ways, etc.	1,500,000	
5-8-68	Cons. of Sidewalks	1,400,000	
10-2-68	Pl.Des.Acq.Land(CD& Pol.)		600,000
11-27-68	Urban Redev.Sch.Franklin, Boylston, Essex		3,107,000
		$17,959,000	$129,499,468.98

Inside	$ 17,959,000
Outside	129,499,468.98
Total	$147,458,468.98

Table III

CITY AND COUNTY FUNDED DEBT

Gross funded debt 12-31-67		$174,570,500
Add funded debt issued in 1968:		
City Debt	$34,230,000	
Water Debt	300,000	34,530,000
		209,100,500
Deduct funded debt paid in 1968:		
City Debt	19,297,000	
Water Debt	70,000	
Rapid Transit Debt	1,718,000	21,085,000
Gross funded debt 12-31-68		188,015,500
Sinking Funds 12-31-67	32,392,296.28	
Receipts during 1968	380,810.42	
	32,773,106.70	
Payments	2,140,731.18	
	30,632,375.52	
Less Reserve for Payment of Interest on Debt	12,139.42	
Total Redemption Means		30,619,236.10
Net funded debt 12-31-68		$157,396,263.90

	Gross Debt	Sinking Funds	Net Debt
City Debt	$156,723,000	$ 221,736.10	$156,501,263.90
Water Debt	895,000	---	895,000.
Rapid Transit Debt	30,397,500	30,397,500.	---
	$188,015,500	$30,619,236.10	$157,396,263.90

Table III
Cont.

Comparative Debt Summary

	Gross Debt	Net Debt
December 31, 1967	$174,570,500	$142,190,169.82
December 31, 1968	188,015,500	157,396,263.90
Increase	$ 13,445,000	$ 15,206,094.08

Table IV

1968 DEBT ISSUED

8-1-68

Public Ways, Cons. of	$1,000,000		
" " "	2,150,000		
Bridges, Cons. of	500,000		
Cons. of Bldgs., Acq. of Land	500,000		
" " " " "	500,000		
Sewerage	500,000		
Parking Facilities	1,500,000		
" "	2,500,000		
Urban Redevelopment	1,000,000		
" "	1,000,000		
" "	1,000,000	$12,150,000	

12-1

Public Welfare	5,000,000	To replace 1967 Note	
Sidewalk Construction	180,000		
Departmental Equipment	1,000,000		
Ext. Repairs, Act 1963, Hosp.	500,000		
Public Ways, Cons. of	500,000		
Ext. Repairs, Sch. Bldgs.	1,500,000		
Water Mains	300,000		
Cons. of Bldgs.	100,000		
" "	250,000		
Sewerage	500,000		
Bridges, Cons. of	500,000		
Parking Facilities	500,000		
Cons. of Bldgs.	700,000		
Urban Redev., South End	500,000		
Urban Redev.	500,000		
Urban Redev., Charlestown	500,000		
Urban Redev.	1,000,000		
Urban Redev., Washington Park	1,000,000		
Capital Improvements	750,000		
Capital Improvements, Sch. Dept.	1,000,000		
New City Hall	1,000,000	$17,780,000	$29,930,000
Note: in anticipation of Permanent Debt			4,600,000
			$34,530,000

Table V

METROPOLITAN DISTRICT NET DEBT

	1967	1968
Sewer	$17,002,211.30	$16,301,108.60
Water	57,257,700.87	60,473,621.96
Park	13,110,362.91	12,951,525.63
	$87,370,275.08	$89,726,256.19

Part of the new MDC Debt of $7,175,000, added in November 1968, will in due course, be added to Boston's Share of the MDC Net Debt.

TABLE VI

OUTSTANDING CITY DEBT (RAPID TRANSIT EXCLUDED)
December 31, 1968

	Outstanding 12-31-67	Issued 1968	Cancelled 1968	Outstanding 12-31-68
Bridges, Miscellaneous	$ 2,725,000	$ 1,000,000	$ 335,000	$ 3,390,000
City of Boston Funding Loan	24,250,000		2,250,000	22,000,000
Miscellaneous:				
City of Boston Parking Facilities	6,710,000	4,500,000	620,000	10,590,000
Departmental Equipment	4,390,000	1,000,000	1,130,000	4,260,000
Extraordinary Repairs	9,865,000	2,000,000	1,500,000	10,365,000
Long Island Viaduct	519,500		80,500	439,000
Perm. Housing Vets World War II	850,000		400,000	450,000
Urban Redevelopment	10,815,000	6,500,000	780,000	16,535,000
Municipal Auditorium	4,990,000		185,000	4,805,000
Municipal Relief	3,400,000		1,300,000	2,100,000
New City Hall	22,345,000	1,000,000	805,000	22,540,000
Public Bldgs., Exclusive of Schoolhouses	10,015,500	3,800,000	1,064,500	12,751,000
Schoolhouses and Sites	16,215,000		1,125,000	15,090,000
Sewers, Miscellaneous	7,530,000	1,000,000	667,000	7,863,000
Streets:				
Public Ways, Construction of	11,640,000	3,650,000	1,920,000	13,370,000
Sidewalks	530,000	180,000	135,000	575,000
Water, Miscellaneous	665,000	300,000	70,000	895,000
Public Welfare	5,000,000	5,000,000	5,000,000	5,000,000
Note in Anticipation of Perm. Debt		4,600,000		4,600,000
	$142,455,000	$34,530,000	$19,367,000	$157,618,000

Respectfully submitted,

John Larkin Thompson, Chairman

Joseph P. McNamara,

Russell S. Codman,

Frederick R. H. Witherby,

Rev. James P. Breeden

THE FINANCE COMMISSION.

Thomas J. Murphy
Executive Secretary

CITY OF BOSTON FINANCE COMMISSION

~~24 SCHOOL STREET~~ BOSTON, MASS. 02108 LAFAYETTE 3-1622

THREE CENTER PLAZA - RM. 820

February 23, 1970

To the Honorable the Mayor:

This is the Annual Debt Statement prepared by the Boston Finance Commission which presents the City's debt situation as of January 1, 1970.

During 1969 the City of Boston was required to appropriate $26.9 million to pay the principal and interest on the City's debt. This was more than was budgeted for any department except two. It added $16.80 to the tax rate, and therefore cost the owner of a house valued at $5,000 an additional $84 on his tax bill.

The City's large net debt has tripled in the last thirteen years, shooting from $58.6 million in 1956 to over $175 million at the close of 1969. It has increased by 85% since 1963, and by 23.7% in the past two years. It is now at the highest level in the history of the City.

In addition, there are $136 million in loan authorizations, most if not all of which is due eventually to be added to the existing $175 million figure. Boston's share of the MDC debt is approximately an additional $105 million.

The Commission urges your office and the honorable Council to do their utmost to hold down this strain on City funds.

The attached tables present the debt picture in detail.

Table I shows the City's debt in recent years, the rise since 1956 and the sharp increase during the past 6 years.

Table II presents the list of purposes, and the amounts, for which loans have been authorized but not yet issued. Most of these projects will soon be carried out and debt issued for their funding.

Table III presents the detail of the City and County funded debt.

Table IV lists the purposes for which debt was issued in 1969 and the amounts.

Table V shows Boston's share in the Metropolitan District Debt covering the 3 divisions of the Metropolitan District Commission. The City shares heavily in the cost of these metropolitan activities but has no direct voice in their control.

Table VI presents the outstanding City debt as of December 31, 1969.

Respectfully submitted,

Joseph P. McNamara,

Russell S. Codman, Jr.,

Frederick R. H. Witherby,

Arthur J. Gartland,

THE FINANCE COMMISSION

Thomas J. Murphy
Executive Secretary

Table I

BOSTON'S NET DEBT AT YEAR END

1956 - 1969

	1956	$ 58,652,208.13
*	1957	70,832,868.95
	1958	111,588,963.38
	1959	103,413,775.81
	1960	101,016,708.28
	1961	96,618,165.71
	1962	94,690,775.93
	1963	94,993,030.40
	1964	108,916,200.87
	1965	111,054,863.89
	1966	117,791,418.34
**	1967	142,190,169.82
	1968	157,396,263.90
***	1969	175,752,949.91

* A $45,000,000 Funding Loan was provided in 1957 to meet a deficit in the Excess and Deficiency Account and an accumulation of overlay deficits due in large part to abatements granted.

** Boston's previous highest debt level, in the 1909-1967 span of years, was $135,815,273 in 1933.

*** Increased 85% over 1963.

LOANS AUTHORIZED BUT NOT ISSUED
AS OF DECEMBER 31, 1969

TABLE II

		Inside Debt Limit	Outside Debt Limit
10-19-54	Cons. of Bldgs., Orig. Eq.	$5,750,000	
7-31-56	Off St. Parking Facilities		$ 1,150,000
8-20-57	Urban Redevelopment (West End)		2,000,000
10-22-57	Municipal Auditorium		1,348.98
12-22-58	New City Hall, Cons. of		1,120
12-2-63	Cons. of School Bldg., Acq. Land		24,000,000
1-21-64	Departmental Equipment Hospital	4,000	
4-15-64	Remod., Recons. & Ext. Rep. Hosp. Acts. of 1963, C 752		200,000
9-11-64	Urban Redevelopment (Waterfront)		4,000,000
9-1-65	Urban Redevelopment (Charlestown)		2,300,000
1-19-66	Urban Redevelopment (South End)		3,015,000
2-2-66	Cons. of Bldgs., Acq. Land School		19,000,000
7-21-66	Off Street Parking Facilities		2,750,000
7-21-66	Cons. of Bldgs., Orig. Eq.	1,565,000	
7-21-66	Cons. of Bldgs., Orig. Eq.	435,000	
5-17-67	Planning, Des., Acq. Land (Library)		15,900,000
5-17-67	Planning, Des., Acq. Land (Fire)		1,250,000
5-17-67	Planning, Des., Acq. Land (Parks & Rec.)		1,160,000
5-17-67	Planning, Des., Acq. Land (Traffic & Pkg.)		370,000
6-26-67	Urban Redevelopment (Washington Park)		3,925,000
6-26-67	Urban Redevelopment (Government Center)		1,305,000
1-11-68	Planning, Des., Acq. Land (School)		3,500,000
5-8-68	Planning, Des., Acq. Land (Hospital)		11,000,000
5-8-68	Cons. & Laying Acqueducts & Water Mains		1,300,000
5-8-68	Cons. of Sidewalks	900,000	
10-2-68	Ext. Rep. to Public Bldgs.	1,320,000	
10-2-68	Planning, Des., Acq. Land (CD & Police)		600,000
11-27-68	Urban Redevelopment (Sch.-Franklin, Boyls.-Essex)		3,107,000
2-3-69	Urban Redevelopment (South Cove)		3,194,000
2-10-69	Add't Dept'l Equipment	2,300,000	
2-10-69	Acq. Land Public Parks & Playgds.	490,000	
5-13-69	Cons. of Sewers	1,500,000	
5-13-69	Cons. of Bridges	1,500,000	

TABLE II - Cont.

		Inside Debt Limit	Outside Debt Limit
5-13-69	Remod., Recons., Ext. Rep. Suffolk Co. Courthouse Bldgs.	$ 225,000	
5-13-69	Public Ways, Cons. of	2,000,000	
5-13-69	Planning, Des., Acq. Land (Parks & Rec.)		$ 40,000
5-13-69	Planning, Des., Acq. Land (Police)		1,800,000
5-13-69	Planning, Des., Acq. Land (Library)		2,200,000
5-13-69	Planning, Des., Acq. Land (Public Works)		300,000
6-4-69	Urban Redevelopment (South Station)		4,503,000
6-25-69	Cons. of Rec. Bldgs. With Sw. Pools.	1,355,000	
6-25-69	Urban Redevelopment (St. Botolph St. Eld. Housing)		390,000
7-29-69	Remod., Recons., Ext. Rep. City Hall Annex, School	2,200,000	
8-4-69	Traffic Signals Installation	200,000	
	Inside	$21,744,000.00	
	Outside	114,261,468.98	
		$136,005,468.98	

TABLE III

CITY AND COUNTY FUNDED DEBT

Gross Funded Debt 12-31-68		$188,015,500
Add Funded Debt Issued in 1969:		
City Debt	$38,300,000	
Water Debt	700,000	
Welfare Debt	4,600,000	43,600,000
		$231,615.500
Deduct Funded Debt Paid in 1969:		
City Debt	$14,226,000	
Water Debt	90,000	
Welfare Debt	10,900,000	
Rapid Transit Debt	1,380,000	26,596,000
Gross Funded Debt 12-31-69		$205,019,500
Sinking Funds 12-31-68	$30,632,375.52	
Receipts in 1969	412,223.38	
	$31,044,598.90	
Payments	1,757,160.33	
	$29,287,438.57	
Less Reserve for Payment of Interest on Debt	20,888.48	
Total Redemption Means		29,266,550.09
Net Funded Debt 12-31-69		$175,752,949.91

	Gross Debt	Sinking Funds	Net Debt
City Debt	$174,497,000	$ 249,050.09	$174,247,949.91
Water Debt	1,505,000	- - -	1,505,000.00
Rapid Transit	29,017,500	29,017,500.00	- - -
	$205,019,500	$29,266,550.09	$175,752,949.91

TABLE IV

DEBT ISSUED 1969

6-1	Municipal Relief	$4,600,000	
8-1			
	Construction of Bldgs., etc.	935,000	
	Urban Redevelopment	1,000,000	
	Urban Redevelopment	2,000,000	
	Urban Redevelopment	2,000,000	
	Capital Improvements	765,000	
	Capital Improvements	1,300,000	
	Capital Improvements	5,000,000	
	Capital Improvements	2,000,000	
12-1			
	Sidewalk Construction	500,000	
	Departmental Equipment	700,000	
	Automatic Traffic Control Signals	50,000	
	Remodeling, Reconstruction or Extraordinary Repairs to Public Bldgs.	50,000	
	Extraordinary Repairs, Acts of 1965	500,000	
	Extraordinary Repairs, Acts of 1963	800,000	
	Public Ways, Construction of	3,500,000	
	Water Mains	700,000	
	Parking Facilities, Acts of 1964	500,000	
	Bridges, Construction of	1,000,000	
	Construction of Bldgs., etc.	1,950,000	
	School Project, Acts of 1948	2,500,000	
	Urban Redevelopment	5,500,000	
	Sewerage	1,650,000	
	Capital Improvements, Acts of 1966	4,100,000	
			$43,600,000

TABLE V

METROPOLITAN NET DEBT

BOSTON'S SHARE

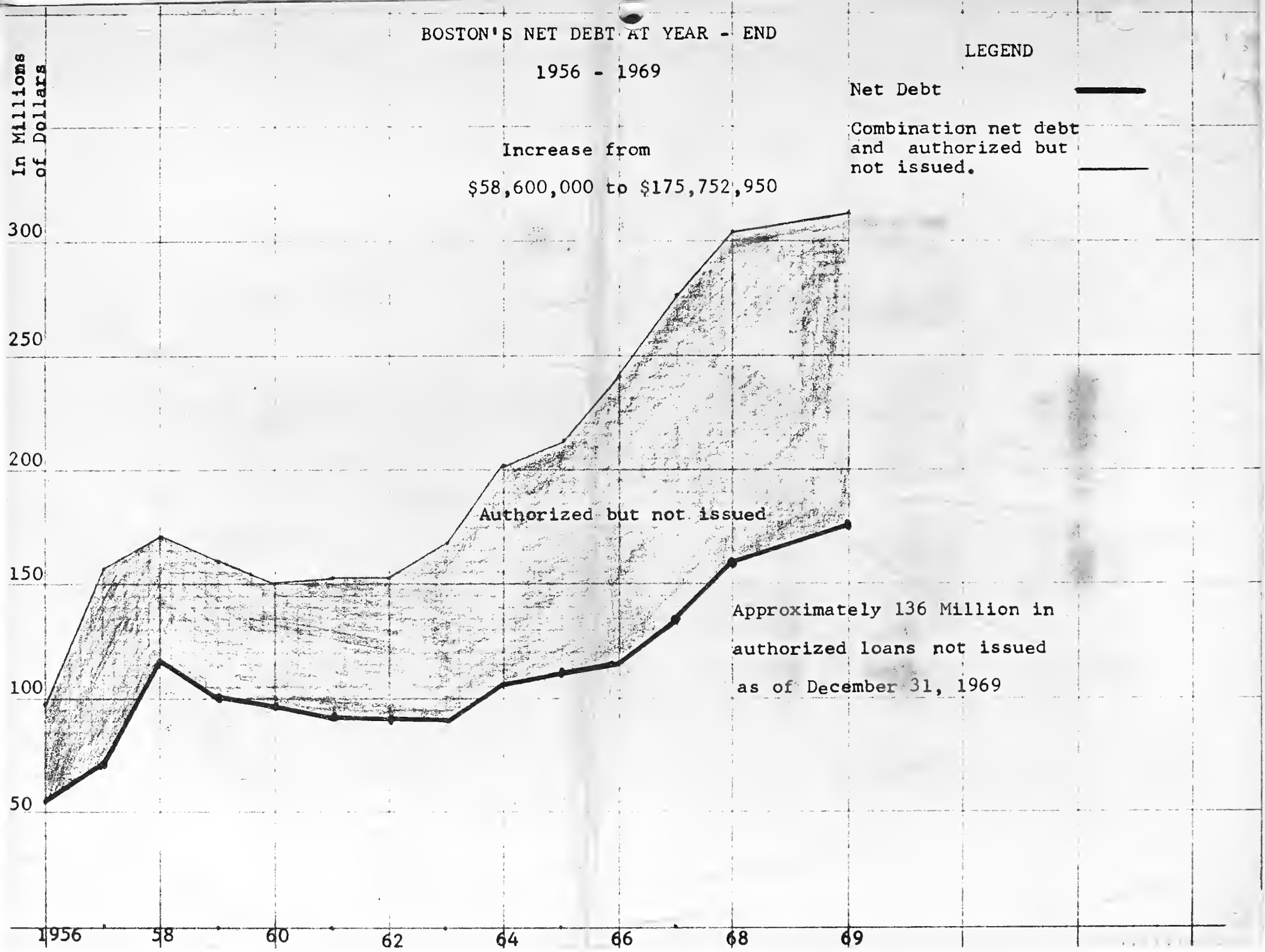
	1968	1969
Sewer	$16,301,108.60	$32,856,775.76
Water	60,473,621.96	58,737,964.09
Park	12,951,525.63	13,188,788.82
	$89,726,256.19	$104,783,528.67

TABLE VI

OUTSTANDING CITY DEBT (RAPID TRANSIT EXCLUDED)

DECEMBER 31, 1969

	Outstanding 12-31-68	Issued 1969	Cancelled 1969	Outstanding 12-31-69
Bridges, Miscellaneous	$ 3,390,000	$ 1,000,000	$ 385,000	$ 4,005,000
Funding Loan	22,000,000		2,250,000	19,750,000
Miscellaneous				
Parking Facilities	10,590,000	500,000	835,000	10,255,000
Departmental Equipment	4,260,000	700,000	1,270,000	3,690,000
Extraordinary Repairs	10,365,000	1,350,000	1,600,000	10,115,000
Long Island Viaduct	439,000		80,500	358,500
Perm. Housing Vets WW II	450,000		350,000	100,000
Urban Redevelopment	16,535,000	10,500,000	1,040,000	25,995,000
Automatic Traffic Cont. Signals		50,000		50,000
Municipal Auditorium	4,805,000		185,000	4,620,000
Municipal Relief	7,100,000	4,600,000	6,300,000	5,400,000
New City Hall	22,540,000		840,000	21,700,000
Public Bldgs., Excl. Schoolhouses	12,751,000	13,550,000	1,134,500	25,166.500
Schoolhouses and Sites	15,090,000	5,000,000	1,195,000	18,895,000
Sewers, Miscellaneous	7,863,000	1,650,000	701,000	8,812,000
Streets:				
Public Ways, Cons. of	13,370,000	3,500,000	2,185,000	14,685,000
Sidewalks	575,000	500,000	175,000	900,000
Water, Miscellaneous	895,000	700,000	90,000	1,505,000
Public Welfare				
Note in Anticipation of Perm. Debt (Municipal Relief)	4,600,000		4,600,000	
	$157,618,000	$43,600,000	$25,216,000	$176,002,000


BOSTON'S NET DEBT AT YEAR - END
1956 - 1969
Increase from
$58,600,000 to $175,752,950
LEGEND
Net Debt
Combination net debt and authorized but not issued.
In Millions of Dollars
300
250
200
150
100
50
Authorized but not issued
Approximately 136 Million in authorized loans not issued as of December 31, 1969
1956
58
60
62
64
66
68
69

ANNUAL DEBT STATEMENT

CITY OF BOSTON FINANCE COMMISSION

BOSTON, MASS. 02108 LAFAYETTE 3-1622

THREE CENTER PLAZA, RM 820

June 8, 1972

To the Honorable the Mayor:

The Finance Commission for many years has issued an annual debt statement outlining the City's debt picture. This report deals largely with the debt situation of the City of Boston as of the start of 1972.

The evaluation of a city's debt situation is a complex and often an elusive exercise. There are no conclusive indices or ratios, although there are guidelines. Inasmuch as the soundness of a city's debt is the reliability of its promise to pay its indebtedness, such an analysis is synonymous with an evaluation of the city as a financial risk. According to authorities in the field, factors to be considered in analyzing municipal credit include: the community's debt-paying ability and its attitude toward debt in the past, the type of commercial activity on which its prosperity is dependent, the character of its government, the economic growth and the potential of the community, and the stability of taxpayers' and business income.

In the last analysis the evaluation demands a judgment on the present and future of the city.

One qualified and objective source of judgment is the municipal bond community, those who purchase the bonds or represent the purchaser and who, therefore, are vitally concerned with the city's ability and willingness to meet its obligations. Accordingly, the Finance Commission has endeavored to canvas the judgment and outlook of local municipal bond experts toward Boston finances.

There appears to be a consensus in the local municipal bond sector on the following relevant points respecting Boston's debt and bonds:

1. Boston's "climate" is good; it must be regarded as a "vital" City for the purpose of investment in the future by way of municipal bonds.
2. The City has a demonstrated capacity to pay its debt obligations.
3. Boston's debt while above average is not considered excessive.
4. The per capita debt is reasonable.
5. The City enjoys a good average interest rate on its bonds.
6. If Boston could improve its Baa rating by even one step, it would mean substantial saving.

It is gratifying to learn that the banking sector has respect for the City as a financial risk and is presently confident of its financial future for investment purposes. It does not follow, however, that the City's debt picture can therefore be regarded with complacency. The following observations indicate that a watchful eye must be kept on the City's debt.

Some salient aspects of the debt situation in Boston at the start of 1972 are the following:

1. Debt requirements to be met by taxation in 1971 were $34,866,885.22. It appears that maturing debt in 1972, aided no doubt by the fact that the last of the Welfare Debt was paid off in 1971, will be slightly less than in 1971. The rise in interest costs, however, indicates that preliminary debt requirements for 1972 will climb some 4 million dollars to approximately 39 million dollars. This means another $2.38 on Boston's 1972 tax rate.

2. Boston's Net Debt at the end of 1971 shows a continuation of the rise that began in 1964. The trend has accelerated sharply since 1966. The 1971 rise over 1970, which amounted to $52,804,643 (or 25% increase), was the largest annual increase over the preceding year since 1956. (See Table I attached to this report.) The breakdown and calculation of this net debt figure of $263,993,201.61 is shown in Table V. (attached)

3. Viewed, however, in a list of 20 cities in its population class (500,000-1,000,000), Boston was not out of line in 1969-1970, according to the Bureau of Census, Department of Commerce Publication, "City Government Finances, 1969-1970." That list showed the Boston volume of net long term debt to be 6th lowest in rank; however, Boston's figure had increased substantially by the end of 1971. (See Table II.)

4. Debt issued by Boston in 1971 amounted to $77,180,000. This was an increase of $53,750,000, or 44% over 1970. School building accounted for $30,500,000. (See Table III.)

Of the $264,185,000 in outstanding debt as of December 31, 1971 (Table VII) Schoolhouses and Sites represents 21% and Public Buildings, excluding Schoolhouses, represents 23%; these categories together with Urban Redevelopment and the New City Hall represent the principal share of the total debt outstanding. It should also be noted that an additional amount of $23,600,000 for new school buildings will be issued on June 1, 1972. It is worthwhile to speculate on the scale of future debt which is now being projected for new schoolhouses. The Mayor in his inaugural address stated that he would seek a 200 million dollar authorization for school borrowing. Although there will be a reimbursement of at least 50% from the State for such borrowing, it is a major factor on the horizon and gives one reason for concern.

5. In addition to outstanding debt, there is a large volume of loans that have been authorized for various purposes but not yet issued. Presumably, such authorized amounts will one day be issued and added to the total debt. As of December 31, 1971, there was $165,172,900 in Loans Authorized But Not Issued. This is $43,486,469, or 26% less than the December 31, 1970 amount. (See Table IV.)

6. Boston's share of the Metropolitan Net Debt (sewer, water, and park) had declined in 1970, from a 1969 figure of $104,783,528.67 to $103,711,128.74. As of June 30, 1971, however, this figure climbed to $108,164,504.89. (See Table VI.)

7. The per capita debt ratio is interesting. Table II presents a list of 20 cities in Boston's population class with the per capita debt for each. Boston appears to be in a median position.

8. Another interesting ratio is that of a city's debt to its assessed valuations; of course, it is desirable to achieve as low a ratio as possible. This ratio for 13 cities (the only cities in Boston's population class for which data seemed to be available) shows Boston in a median position in this respect, as well. (See Table VIII.) Boston's 15.7% is actually below the 17% average for the group.

MUNICIPAL BORROWINGS

Municipal borrowing is one of the basic methods by which all municipalities obtain the funds necessary to pay for the cost of public improvements of a capital nature, i.e., of a general and usually long-term benefit. Sound financial practice dictates that such expenditures be capitalized and repaid over a number of years as the benefits from them accrue to the community as a whole.

Boston's bonds are rated Baa. This is not the highest rating enjoyed by a municipality; in fact, there are three higher ratings. The City's bond rating, however, is not conclusive in determining the marketability of its bonds. This is demonstrated by the

favorable response that is made to bond offerings by the City. Boston's bonds, in fact, appear to command a better price than those of some comparable communities throughout the country which enjoy a better rating than Boston's Baa rating.

The experience of Boston in its bond offerings is consistent with a comment found in the Wall Street Journal. That paper (11-18-71), in a story on tax-exempt offerings, discussed the then current offerings of Philadelphia, Detroit, and Boston, quoting one analyst as follows: "Boston has a diversified industrial base and a relatively sound financial position that clearly makes it the strongest credit risk of these three cities ...". Again, in its issue of November 17, 1971, in a discussion of the tax-exempt market, the Wall Street Journal contained the following reference to Boston: A senior officer of Bankers Trust said the group (Bankers Trust team members) 'made a careful evaluation as to the current and near-term market value of Boston bonds, which we consider to be one of the strongest Baa credits ...'".

Boston's latest bond issue of $45,000,000 issued June 1, 1972, produced a rate of 5.29%; this is the same rate received for a Boston issue of $53,000,000 of 6 months ago (December, 1971).

Respectfully submitted,

Lawrence T. Perera, Chairman,

Joseph P. McNamara,

Russell S. Codman, Jr.,

Frederick R. H. Witherby,

THE FINANCE COMMISSION.

Thomas J. Murphy,
Executive Secretary.

Table I

BOSTON'S NET DEBT AT YEAR END
(RAPID TRANSIT OMITTED)

1956 - 1971

	1956	$ 58,652,208.13
*	1957	70,832,868.95
	1958	111,588,963.38
	1959	103,413,775.81
	1960	101,016,708.28
	1961	96,618,165.71
	1962	94,690,775.93
	1963	94,993,030.40
	1964	108,916,200.87
	1965	111,054,863.89
	1966	117,791,418.34
	1967	142,190,169.82
	1968	157,396,263.90
	1969	175,752,949.91
	1970	211,188,558.92
	1971	263,993,201.61

* A $45,000,000 Funding Loan was provided in 1957 to meet a deficit in the Excess and Deficiency Account and an accumulation of overlay deficits due in large part to abatements granted.

Table II

	NET LONG-TERM DEBT OUTSTANDING * (in Thousands) 1969-1970	1970 POPULATION * (in Thousands)	Per CAPITA
Atlanta	$255,429	497	$513
Baltimore	540,770	906	596
Boston	187,218	641	
" (12-31-71)	263,993		411
Buffalo	155,844	463	336
Cincinnati	218,418	453	482
Cleveland	259,898	751	346
Columbus	120,327	540	222
Dallas	267,321	844	316
Denver	253,435	515	492
Kansas City, Mo.	257,586	507	508
Memphis	358,426	624	574
Milwaukee	206,340	717	287
New Orleans	212,272	593	357
Pittsburgh	82,386	520	158
St. Louis	149,337	622	240
San Antonio	161,168	654	246
San Diego	119,366	697	171
San Francisco	308,329	716	430
Seattle	266,257	531	501
Washington, D.C.	347,214	757	458

* "City Government Finances, 1969-70," Bureau of the Census, Department of Commerce.

Table III

DEBT ISSUED IN 1971

8-1-71		
School Buildings	$10,000,000	
Library	9,400,000	
Urban Redevelopment	3,000,000	
Hospital	2,600,000	
		$25,000,000
12-1-71		
School Buildings	20,500,000	
Urban Redevelopment	6,500,000	
Off-street Parking	2,000,000	
Public Buildings *	9,120,000	
Sidewalks	1,400,000	
Public Ways, Construction	1,000,000	
Extraordinary Repairs	6,070,000	
Departmental Equipment	3,500,000	
Acquiring Land, Parks	190,000	
Bridges	1,000,000	
Water	900,000	
		52,180,000
		$77,180,000

* Hospital	$4,400,000
Park	2,755,000
Misc.	965,000
Police	500,000
Fire	450,000
Penal	50,000

[illegible]

[illegible]

School [illegible]	[illegible]
Library	[illegible]
Urban [illegible]	[illegible]
Hospital	[illegible]

[illegible]

Social Sciences	[illegible]
Urban Redevelopment	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Parks	[illegible]
[illegible]	[illegible]

Table IV

LOANS AUTHORIZED BUT NOT ISSUED

As of December 31, 1971

DATE OF ORDER	PURPOSE	Inside Debt Limit	Outside Debt Limit
7-13-56	Off-Street Parking Facilities		$ 475,000
8-20-57	Urban Redevelopment (West End)		500,000
9-11-64	Urban Redevelopment (Waterfront)		2,500,000
2-2-66	Cons. of Bldgs., Acq. Land, School		5,000,000
7-21-66	Off-Street Parking Facilities		750,000
5-17-67	Planning, Des., Acq. Land (Fire)		500,000
6-26-67	Urban Redevelopment (Washington Park)		425,000
5-8-68	Cons. & Laying Aqueducts & Water Mains		300,000
11-27-68	Urban Redevelopment (Sch.-Franklin, Boyls.-Essex		3,107,000
2-3-69	Urban Redevelopment (South Cove)		1,394,000
5-13-69	Cons. of Sewers	$ 300,000	
5-13-69	Cons. of Bridges	500,000	
5-13-69	Remod., Recons., Ext. Repair Suffolk County Courthouse Bldgs.	225,000	
5-13-69	Planning, Des., Acq. Land (Police)		1,300,000
5-13-69	Planning, Des., Acq. Land (Library)		2,200,000
5-13-69	Planning, Des., Acq. Land (Public Works)		300,000
6-4-69	Urban Redevelopment (South Station)		2,703,000
6-25-69	Urban Redevelopment (St. Botolph St. Eld. Housing)		390,000
7-29-69	Remod., Recons., Ext. Rep. City Hall Annex, School	1,000,000	
1-26-70	Planning, Des., Acq. Land (Health & Hospitals)		25,000,000
3-18-70	Planning, Des., Acq. Land (Schools)		8,500,000
3-18-70	School Projects, Chap. 645, Acts of 1948		52,000,000
5-6-70	Remod., Recons. & Ext. Repairs	2,400,000	
5-6-70	Planning, Des., Acq. Land (Fire)		2,500,000
5-6-70	Planning, Des., Acq. Land (Park)		4,500,000

Table IV - Cont.

DATE OF ORDER	PURPOSE	Inside Debt Limit	Outside Debt Limit
5-6-70	Planning, Des., Acq. Land (City Garage)		$ 8,000,000
5-6-70	Planning, Des., Acq. Land (Real Prop., Police, Library)		200,000
5-6-70	Planning, Des., Acq. Land (Police, Fire)		1,000,000
7-13-70	Urban Renewal, North Harvard St.		3,900
10-16-70	Planning, Des., Acq. Land (Penal Insts.)		450,000
11-13-70	Sumner St. Pub. Housing Urban Renewal Project		100,000
12-26-70	Ext. Repairs, City Owned Bldg. 370 Columbia Rd.	$ 700,000	
2-3-71	BRA Relocation Payments		600,000
5-5-71	Construction of Sewers	2,600,000	
5-5-71	Public Ways, Construction of	4,000,000	
5-5-71	Construction of Sidewalks	300,000	
5-5-71	Laying and Relaying of Water Mains		350,000
5-5-71	Planning, Des., Acq. Land (Health & Hospitals)		200,000
5-5-71	Planning, Des., Acq. Land (Health & Hospitals)		15,000.000
5-5-71	Planning, Des., Acq. Land (Parks & Recreation)		900,000
6-2-71	Government Center Urban Renewal		1,800,000
6-2-71	Washington Park Urban Renewal		2,000,000
6-30-71	Waterfront-Faneuil Hall Urban Renewal Project		4,000,000
7-14-71	South End Urban Renewal Project		3,900,000
7-14-71	Add'l Departmental Equipment	300,000	
		$12,325,000	$152,847,900

Inside Debt Limit	$ 12,325,000
Outside Debt Limit	152,847,900
	$165,172,900

Table V

CITY AND COUNTY FUNDED DEBT

Gross Funded Debt 12-31-70		$238,377,500
Add Funded Debt Issued in 1971:		
City Debt	$76,280,000	
Water Debt	900,000	77,180,000
		$315,557,500
Deduct Funded Debt Paid in 1971:		
City Debt	$21,975,000	
Water Debt	190,000	
Welfare Debt	2,300,000	
Rapid Transit Debt	3,570,000	28,035,000
Gross Funded Debt 12-31-71		$287,522,500
Sinking Funds 12-31-70	$27,204,842.59	
Receipts	287,112.41	
	$27,491,955.00	
Payments	3,947,152.58	
	$23,544,802.42	
Less Reserve for Payment of Interest on Debt	15,504.03	
Total Redemption Means		23,529,298.39
Net Funded Debt 12-31-71		$263,993,201.61

	Gross Debt	Sinking Funds	Net Debt
City Debt	$261,110,000	$ 191,798.39	$260,918,201.61
Water Debt	3,075,000	---	3,075,000
Rapid Transit	23,337,500	23,337,500	---
	$287,522,500	$23,529,298.39	$263,993,201.61

Table VI

METROPOLITAN NET DEBT

JUNE 30

BOSTON'S SHARE

	1970	1971
Sewer	$ 32,827,209.41	$ 34,446,000.68
Water	57,861,578.75	61,432,440.61
Park	13,022,340.58	12,286,063.60
	$103,711,128.74	$108,164,504.89

Table VII

OUTSTANDING CITY, SEWER & WATER DEBT, DECEMBER 31, 1971

(RAPID TRANSIT OMITTED)

	Outstanding 12-31-70	Issued 1971	Cancelled 1971	Outstanding 12-31-71
Bridges, Miscellaneous	$ 3,570,000	$ 1,000,000	$ 415,000	$ 4,155,000
Funding Loan	17,500,000		2,250,000	15,250,000
Miscellaneous:				
Parking Facilities	10,070,000	2,000,000	895,000	11,175,000
Departmental Equipment	3,520,000	3,500,000	1,220,000	5,800,000
Extraordinary Repairs	11,930,000	6,070,000	1,925,000	16,075,000
Long Island Viaduct	50,000		50,000	
Urban Redevelopment	34,000,000	9,500,000	1,925,000	41,575,000
Automatic Traffic Cont. Signals	245,000		15,000	230,000
Acq. Land, Parks & Playgrounds	300,000	190,000	25,000	465,000
Municipal Auditorium	4,435,000		185,000	4,250,000
Municipal Relief	2,700,000		2,700,000	
New City Hall	20,860,000		840,000	20,020,000
Public Bldgs., Excl. Schoolhouses	42,550,000	21,120,000	1,960,000	61,710,000
Schoolhouses and Sites	24,915,000	30,500,000	2,200,000	53,215,000
Sewers, Miscellaneous	9,260,000		805,000	8,455,000
Streets:				
Public Ways Cons. of	18,300,000	1,000,000	2,785,000	16,515,000
Sidewalks	1,150,000	1,400,000	330,000	2,220,000
Water, Miscellaneous	2,365,000	900,000	190,000	3,075,000
Emergency School Loan	3,750,000		3,750,000	
	$211,470,000	$77,180,000	$24,465,000	$264,185,000

NET DEBT IN RELATION TO ASSESSED VALUATION - SELECTED CITIES

TABLE VIII

	1	2	3
	Net Long-Term Debt Outstanding In Thousands	Assessed Val.	Net Debt Per Cent Of Assessed Valuation
Baltimore	$540,770	$3,072,009,978	17.6
Boston (12-31-71)	263,993	1971 1,681,500,000	15.7
Buffalo	155,844	979,081	15.9
Cleveland	259,898	1966 1,747,514,000	14.9
Columbus	120,327	1966 1,038,869,000	11.6
Kansas City, Mo.	257,586	1966 1,055,902,000	24.4
Milwaukee	206,340	2,531,843,700	8.15
New Orleans	212,272	1966 733,481,000	28.90
St. Louis	149,337	1966 County? 1,746,867,000	8.55
San Antonio	161,168	1,093,427,200	14.7
San Diego	119,366	1966 955,333,000	12.5
San Francisco	308,329	1966 1,570,415,000	19.7
Seattle	266,257	1966 916,836,000	29.0

Column 1 - City Govt. Finances 1968-1969

Column 2 - 1967 unless stated otherwise

CITY OF BOSTON FINANCE COMMISSION

BOSTON, MASS. 02108 LAFAYETTE 3-1622

THREE CENTER PLAZA, RM 820

March 5, 1973

To the Honorable the Mayor:

The Finance Commission for many years has issued an annual debt statement outlining the City's debt picture. This report deals largely with the debt situation of the City of Boston as of the start of 1973.

The evaluation of a city's debt situation is a complex and often an elusive exercise. There are no conclusive indices or ratios, although there are guidelines. Inasmuch as the soundness of a city's debt is the reliability of its promise to pay its indebtedness, such an analysis is synonymous with an evaluation of the city as a financial risk. According to authorities in the field, factors to be considered in analyzing municipal credit include: the community's debt-paying ability and its attitude toward debt in the past; the type of commercial activity on which its prosperity is dependent; the character of its government; the economic growth and the potential of the community; its tax structure; and the stability of taxpayers' and

business income. In the last analysis the evaluation demands a judgment on the present and future of the city.

The banking sector continues to have respect for Boston as a financial risk and is presently confident of its financial future for investment purposes. However, it does not follow that the City's debt picture can be regarded with complacency. The following observations indicate that an increasingly watchful eye must be kept on the City's debt:

1. Boston's Net Debt continued to spiral during 1972. The 1972 increase amounted to $61,588,899 (or 23% increase over the amount of debt existing on December 31, 1971), bringing the total Net Debt at December 31, 1972 to $325,582,101.

   Table I attached to this report reveals that in 1960 Boston's Net Debt amounted to $101,016,708.28; that between 1960 and 1966, the Net Debt increased to $117,791,418.34; and that since December 31, 1969, the Net Debt soared from $175,752,949.91 to $325,582,101. One must question whether this type of increase can continue in the future if Boston's debt is to remain attractive to the private investment community. A change in the climate surrounding the attractiveness of Boston's debt to investors does not occur overnight. It is a gradual process which must be anticipated in order to assure a continuing market on favorable terms in the future. Extreme care must be exercised in authorizing debt and in utilizing its proceeds. The breakdown and calculation of the Net Debt figure of $325,582,100.55 at December 31, 1972 is shown in Table V (attached).

2. Table II indicates the net long-term debt of 20 cities in the population class of Boston (500,000-1,000,000) according to the Bureau of Census, Department of Commerce Publication, "City Government Finances, 1970-1971". The trend indicated in that table is startling. Boston's net long-term debt has increased at a significantly faster rate than that of most of the other cities. At the end of 1970, Boston ranked 14th in total long-term debt; at the end of 1971, Boston ranked 11th. Moreover, Boston's per capita net long-term debt increased from $329 at the end of 1970 to $411 at the end of 1971. At the end of 1970, Boston ranked 13th in per capita long-term debt. At the end of 1971, Boston ranked 11th. Perhaps even more alarming is the jump in per capita debt during 1972. At the end of 1972, it stood at $508.

3. Debt issued by Boston in 1972 amounted to $84,000,000 compared with $77,180,000 in 1971. School building accounted for $38,500,000 compared with $30,500,000 in 1971. Urban renewal accounted for $3,350,000 compared with $9,500,000 in 1971. (See Table III.)

Of the $325,582,101 in Outstanding Debt as of December 31, 1972 (Table VII) Schoolhouses and Sites represents 30.6% and Public Buildings, excluding Schoolhouses, represents 23.6%; these categories together with Urban Redevelopment and the New City Hall represent the principal share of the total debt outstanding.

4. In addition to outstanding debt, there is a large volume of loans that have been authorized for various purposes but not yet issued. Presumably, such authorized amounts will one day be issued and added to the total debt. As of December 31, 1972, there were $110,572,900 in Loans Authorized But Not Issued. This is $54,600,900 less than the December 31, 1971 amount. However, the 1973 Capital Improvement Budget Loan Orders now before the City Council total $87,325,000. (See Table IV.)

5. Boston's share of the Metropolitan Net Debt (sewer, water, and park) had declined in 1970, from a 1969 figure of $104,783,528.67 to $103,711,128.74. As of June 30, 1971, however, this figure climbed to $108,164,504.89, and in 1972 the figure increased to $115,168,999.79. (See Table VI.)

6. In 1972, Boston retired $22,349,000 in City and Water Debt, compared with $22,165,000 in 1971.

7. The amount to be raised by taxation for Debt Requirements for 1973 is estimated at $44,600,000, an increase of $6,600,000 over 1972. On the basis of the present assessed valuations of the City, the 1973 Debt Requirements will account for $25 in appropriations in the tax rate. This figure does not reflect any amounts necessary as a result of loans issued during 1973. There are too many imponderables at this time to attempt estimating requirements for a full eighteen-month period.

MUNICIPAL BORROWINGS

Municipal borrowings is one of the basic methods by which all municipalities obtain the funds necessary to pay for the cost of public improvements of a capital nature, i.e., of a general and usually long-term benefit. Sound financing practice dictates that such expenditures be capitalized and repaid over a number of years as the benefits from them accrue to the community as a whole.

Boston's bonds are rated Baa. This is not the highest rating enjoyed by a municipality; in fact, there are three higher ratings. Moreover, if Boston could improve its Baa rating even one step it would mean substantial savings. In pursuit of this objective, the City is preparing to present information to the rating agencies for the purpose of elevating its bond rating. The result of that representation is eagerly awaited and could have a definite and favorable effect. New York City bond rating has recently been uprated from Baa-1 to A by Moody Investors Service.

In fact, Boston enjoyed an A rating until 1965 when the rating suddenly and mysteriously slipped to Baa. There appears to be no reason why Boston cannot regain that A rating by presenting a comprehensive and persuasive case to the rating agency.

Boston's latest bond issue of $39,000,000 on November 14, 1972 produced a rate of 5.5%. The $45,000,000 bond issued on June 1, 1972 brought a rate of 5.29%. These rates compare favorably with

the 5.8% rate on a $25,000,000 issue of Philadelphia in February, 1973.

Respectfully submitted,

Ralph I. Fine, Chairman,

Joseph P. McNamara,

Frederick R. H. Witherby, Esq.

William A. Davis, Jr.,

Henry B. Wynn, Esq.

THE FINANCE COMMISSION.

Thomas J. Murphy,
Executive Secretary.

Table I

BOSTON'S NET DEBT AT YEAR END
(RAPID TRANSIT OMITTED)

1956 - 1972

1956	$ 58,652,208.13
* 1957	70,832,868.95
1958	111,588,963.38
1959	103,413,775.81
1960	101,016,708.28
1961	96,618,165.71
1962	94,690,775.93
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1964	108,916,200.87
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1966	117,791,418.34
1967	142,190,169.82
1968	157,396,263.90
1969	175,752,949.91
1970	211,188,558.92
1971	263,993,201.61
1972	325,582,100.55

* A $45,000,000 Funding Loan was provided in 1957 to meet a deficit in the Excess and Deficiency Account and an accumulation of overlay deficits due in large part to abatements granted.

Table II

	NET LONG-TERM DEBT OUTSTANDING * (in Thousands)		1970 POPULATION * (in 000's)	PER CAPITA	
	1969-1970	1970-1971		1969-1970	1970-1971
Atlanta	$255,429	$372,097	497	$513	$748
Baltimore	540,770	548,231	906	596	605
Boston	187,218		641		
" (12-31-72)	263,993	325,582		411	508
Buffalo	155,844	161,971	463	336	349
Cincinnati	218,418	193,970	451	482	430
Cleveland	259,898	306,804	751	346	408
Columbus	120,327	143,015	540	222	264
Dallas	267,321	336,466	844	316	398
Denver	253,435	248,276	515	492	482
Kansas City, Mo.	257,586	271,905	507	508	536
Memphis	358,426	397,774	624	574	637
Milwaukee	206,340	199,770	717	287	278
New Orleans	212,272	200,237	593	357	337
Pittsburgh	82,386	91,362	520	158	175
St. Louis	149,337	170,188	622	240	273
San Antonio	161,168	159,197	654	246	243
San Diego	119,366	130,114	697	171	186
San Francisco	308,329	343,851	716	430	480
Seattle	266,257	314,303	531	501	591
Washington, D.C.	347,214	394,403	757	458	521

* "City Government Finances, 1969-70, 71," Bureau of the Census, Department of Commerce.

Table III

DEBT ISSUED IN 1972

June 1

Extraordinary Repairs, Schools	$ 100,000	
Public Ways, Construction of	4,000,000	
Construction		
Real Property, Police, Library	200,000	
Library	2,200,000	
Schools	8,500,000	
Schools	15,000,000	
Health & Hospitals	15,000,000	
		$45,000,000

December 1

Extraordinary Repairs, Schools	$ 900,000	
Extraordinaey Repairs	1,500,000	
Extraordinary Repairs, Schools	700,000	
Extraordinary Repairs	500,000	
Sewerage	300,000	
Bridges	500,000	
Sidewalks	300,000	
Sidewalks	500,000	
Departmental Equipment	300,000	
Public Ways	1,000,000	
Construction		
Schools	5,000,000	
Fire	500,000	
Health & Hospitals	5,000,000	
Health & Hospitals	200,000	
Schools	10,000,000	
Fire	500,000	
Park	4,500,000	
City Garage	1,000,000	
Police, Fire	500,000	
Water Mains	300,000	
Water Mains	1,000,000	
Urban Renewal	500,000	
Water Mains	350,000	
Urban Renewal	1,800,000	
Urban Renewal	500,000	
Urban Renewal	550,000	
Relocation Payments	300,000	
		39,000,000
		$84,000,000

Table IV

LOANS AUTHORIZED BUT NOT ISSUED

(As of December 31, 1972)

Date of Order	Purpose	Inside Debt Limit	Outside Debt Limit
7-13-56	Off-Street Parking Facilities		$ 475,000
8-20-57	Urban Redevelopment (West End)		500,000
9-11-64	Urban Redevelopment (Waterfront)		2,500,000
7-21-66	Off-Street Parking Facilities		750,000
6-26-67	Urban Redevelopment (Washington Park)		425,000
11-27-68	Urban Redevelopment (Sch.-Franklin, Boyls.-Essex)		3,107,000
2-3-69	Urban Redevelopment (South Cove)		894,000
5-13-69	Remod., Recons., Ext. Repair Suffolk County Courthouse Bldgs.	$ 225,000	
5-13-69	Planning, Des., Acq. Land (Police)		1,300,000
5-13-69	Planning, Des., Acq. Land (Public Works)		300,000
6-4-69	Urban Redevelopment (South Station)		2,703,000
6-25-69	Urban Redevelopment (St. Botolph St., Eld. Housing)		390,000
1-26-70	Planning, Des. Acq. Land (Health & Hospitals)		20,000,000
3-18-70	School Projects, Chap. 645, Acts of 1948		27,000,000
5-6-70	Remod. Recons. & Ext. Repairs	900,000	
5-6-70	Planning, Des., Acq. Land (Fire)		2,000,000
5-6-70	Planning, Des. Acq. Land (City Garage)		7,000,000
5-6-70	Planning, Des., Acq. Land (Police, Fire)		500,000
7-13-70	Urban Renewal, North Harvard St.		3,900
10-16-70	Planning, Des., Acq. Land (Penal Insts.)		450,000
11-13-70	Sumner St. Pub. Housing Urban Renewal Project		100,000
2-3-71	BRA Relocation Payments		300,000
5-5-71	Construction of Sewers	2,600,000	
5-5-71	Planning, Des., Acq. Land (Parks & Recreation)		900,000

Table IV - Cont.

Date of Order	Purpose	Inside Debt Limit	Outside Debt Limit
6-2-71	Washington Park Urban Renewal		$ 2,000,000
6-30-71	Waterfront-Faneuil Hall Urban Renewal Project		4,000,000
7-14-71	South End Urban Renewal Project		3,400,000
1-10-72	Charlestown Urban Renewal Project		8,200,000
1-19-72	Park Plaza Urban Renewal Project		6,800,000
6-15-72	Rem., Recons., Ext. Repairs to Public Buildings	$1,100,000	
6-15-72	Public Ways, Cons. of	3,500,000	
6-15-72	Addtl. Departmental Equipment	500,000	
6-15-72	Cons. & Laying Aqueducts & Water Mains		500,000
7-14-72	Plan., Des., Acq. Land, Cons. & Orig. Eq. Str. & Fac., Parks & Recreation		4,250,000
7-14-72	Plan., Des., Acq. Land, Cons. & Orig. Eq. Str. & Fac., Schools		1,000,000
		$8,825,000	$101,747,900

Inside Debt Limit	$ 8,825,000
Outside Debt Limit	101,747,900
	$110,572,900

12-31-71 $165,172,900

1973 Capital Improvement Budget Loan Orders now before City Countil total $87,325,000

Table V

CITY AND COUNTY FUNDED DEBT

Gross Funded Debt 12-31-71		$287,522,500.00
Add Funded Debt Issued in 1972:		
City Debt	$82,350,000.00	
Water Debt	1,650,000.00	84,000,000.00
		$371,522,500.00
Deduct Funded Debt Paid in 1972:		
City Debt	$22,094,000.00	
Water Debt	255,000.00	
Rapid Transit Debt	3,570,000.00	25,919,000.00
Gross Funded Debt 12-31-72		$345,603,500.00
Sinking Funds 12-31-71	$23,544,802.42	
Receipts	354,226.26	
	$23,899,028.68	
Payments	3,859,005.15	
	$20,040,023.53	
Less Reserve for Payment of Interest on Debt	18,624.08	
Total Redemption Means		20,021,399.45
Net Funded Debt 12-31-72		$325,582,100.55

	Gross Debt	Sinking Funds	Net Debt
City Debt	$321,366,000	$ 253,899.45	$321,112,100.55
Water Debt	4,470,000	- - -	4,470,000
Rapid Transit	19,767,500	19,767,500	- - -
	$345,603,500	$20,021,399.45	$325,582,100.55

Table VI

METROPOLITAN NET DEBT

JUNE 30

BOSTON'S SHARE

	1971	1972
Sewer	$ 34,446,000.68	$ 35,064,480.58
Water	61,432,440.61	66,751,267.63
Park	12,286,063.60	13,353,251.58
	$108,164,504.89	$115,168,999.79

Table VII

OUTSTANDING CITY, SEWER & WATER DEBT, DEC. 31, 1972

(Rapid Transit Omitted)

	Outstanding 12-31-71	Issued 1972	Cancelled 1972	Outstanding 12-31-72
Bridges, Miscellaneous	$ 4,155,000	$ 500,000	$ 465,000	$ 4,190,000
Funding Loan	15,250,000		2,250,000	13,000,000
Miscellaneous:				
Parking Facilities	11,175,000		875,000	10,300,000
Departmental Equipment	5,800,000	300,000	1,860,000	4,240,000
Extraordinary Repairs	16,075,000	3,700,000	2,515,000	17,260,000
Urban Redevelopment	40,865,000	3,350,000	2,270,000	41,945,000
Automatic Traffic Cont. Signals	220,000		25,000	195,000
Acq. Land, Parks & Playgrounds	475,000		25,000	450,000
Municipal Auditorium	4,250,000		185,000	4,065,000
New City Hall	20,020,000		840,000	19,180,000
Pub. Bldgs. Excl. Schoolhouses	50,140,000	29,600,000	2,935,000	76,805,000
Schoolhouses and Sites	64,785,000	38,500,000	3,725,000	99,560,000
Sewers, Miscellaneous	8,455,000	300,000	774,000	7,981,000
Streets:				
Public Ways Cons. of	16,515,000	5,000,000	2,735,000	18,780,000
Sidewalks	2,220,000	800,000	570,000	2,450,000
Water, Miscellaneous	3,075,000	1,650,000	255,000	4,470,000
Relocation Payments	710,000	300,000	45,000	965,000
	$264,185,000	$84,000,000	$22,349,000	$325,836,000

CITY OF BOSTON FINANCE COMMISSION

[redacted] BOSTON, MASS. 02108 LAFAYETTE 3-1622

THREE CENTER PLAZA, RM 820

August 26, 1974

To the Honorable the Mayor:

Following an annual practice of long-standing, the Finance Commission herewith presents an analysis of the City's debt situation as of the start of the fiscal year, July 1, 1974.

The following are some of the highlights of the debt picture:

1. Boston's net debt continued to climb during the fiscal year just closed but less sharply than in previous years; nevertheless, it reached an all-time high on June 30, 1974 of $364,945,395 (see Table V), more than three times the debt figure of ten years ago, (see Table I).

2. Waiting in the wings is a similar amount of "soon-to-be issued-debt". This is an additional amount of $328,101,400 in "Loans Authorized But Not Issued", (see Table IV). This is the best indication that the high level of debt will continue and will rise even higher.

3. Boston's debt requirements in 1974-75, the amount to be raised by taxation to service the debt load, is $49,505,559, more than three times the 1967 figure and an amount equal to the cost of operating the City of Boston Police Department, (see Table VIII).

   Actually, maturing debt and interest charges for 1974 and 1975 amount to $51,846,748; however, an amount of $2,341,189 will be met by betterments and sewer charges with the balance to be raised by taxation.

4. One factor to be considered in the area of rising cost in debt service is the increased cost of borrowing. Issues in 1965 carried interest rates of 3 1/4 to 3 3/4%; a 1974 issue of $43,110,000 carried a rate of 6.4%.

5. Debt issued in the 1973-74 period, (see Table III) was double the amount of debt retired during that period; $70,000,000 was issued, $30,469,000 was retired.

6. A substantial part of the $328,101,400 in "Loans Authorized But Not Issued," an amount of $205,000,000, is for school construction. The blow is softened in this area, however, by the expectation that there will be a 65% reimbursement from the State under the formula provided in Chapter 492 of the Acts of 1974. One caveat to be noted in this regard, when most of the cities and towns of the Commonwealth will be vying for this grant by the State, is the language of Chapter 645 of the Acts of 1948, which provides that the funds will be available "from any amounts appropriated therefor". In other words, there is no guarantee of funds.

7. When the Metropolitan Debt (overlapping debt) of $116,079,161, (see Table VI) (as of June 30, 1973) is added to the $364,945,395 of net debt, plus the "Loans Authorized But Not Issued" figure of $328,101,400, a total picture of debt, actual and potential, emerges as a mammoth $809,125,956.

8. In November, 1973, the State issued $9,550,000 of Metropolitan Water Debt which in due time will be reflected in Boston's share of that amount.

9. Boston is not alone in its lofty level of debt. However, only six of the twenty cities in Boston's population class showed higher amounts of net long-term debt; on a per capita basis, only seven showed a higher per capita debt, (based on the most recent Federal listing available, 1971-1972, (see Table II).

These figures outlining the City's debt picture are startling. However, in the absence of a ready formula to evaluate the situation and set a safe ceiling, one must look elsewhere for a judgment on 1) whether Boston's overall borrowing is within the

City's capacity to pay according to the terms of the loans and without interfering with the orderly and effective discharge of current operating responsibilities, and 2) whether the City is able to borrow on the most favorable terms in the municipal securities market.

Experts in the field of municipal finance have devised techniques for evaluating municipal debt; these include the examination of tax rates, ratio of debt to valuation, ratio of debt service to revenue, per cent of taxes collected and municipal controls and fiscal judgment; moreover, qualitative judgments must be made on the economic, social and governmental conditions of the City. The ultimate result of all this testing, of course, is the price Boston must pay for its new borrowings and the credit rating to be given to the City. It is significant that Boston has undergone such testing and has advanced in credit rating from Baa to A grade. In August, 1973 the rating was advanced from Baa to Baa-1; in April, 1974, the rating was moved up to A.

However, credit rating notwithstanding, the fact that the City's debt continues to spiral and the cost of borrowing continues to increase clearly demonstrates that capital projects must be closely screened for their necessity before additional debt, saddling the City with high borrowing costs long into the future, is incurred.

Respectfully submitted,

Ralph I. Fine, Chairman,

Joseph P. McNamara,

Frederick R. H. Witherby, Esq.

William A. Davis, Jr., Esq.

Henry B. Wynn, Esq.,

THE FINANCE COMMISSION

Thomas J. Murphy
Executive Secretary

Table I

BOSTON'S NET DEBT AT YEAR END
(RAPID TRANSIT OMITTED)

1956 - 1973-74

1956	$ 58,652,208.13
* 1957	70,832,868.95
1958	111,588,963.38
1959	103,413,775.81
1960	101,016,708.28
1961	96,618,165.71
1962	94,690,775.93
1963	94,993,030.40
1964	108,916,200.87
1965	111,054,863.89
1966	117,791,418.34
1967	142,190,169.82
1968	157,396,263.90
1969	175,752,949.91
1970	211,188,558.92
1971	263,993,201.61
1972	325,582,100.55
1973-4	364,945,395.25

* A $45,000,000 Funding Loan was provided in 1957 to meet a deficit in the Excess and Deficiency Account and an accumulation of overlay deficits due in large part to abatements granted.

Table II

	NET LONG-TERM DEBT OUTSTANDING * (in Thousands)		1970 POPULATION * (in 000's)	PER CAPITA	
	1970-1971	1971-1972		1970-1971	1971-1972
Atlanta	$372,097	$439,162	497	$748	$884
Baltimore	548,231	572,492	906	605	632
Boston	263,993	325,582	641	412	508
Buffalo	161,971	206,506	463	349	446
Cincinnati	193,970	237,940	451	430	527
Cleveland	306,804	288,788	751	408	385
Columbus	143,015	175,673	540	264	325
Dallas	336,466	342,311	844	398	406
Denver	248,276	248,788	515	482	483
Kansas City, Mo.	271,905	266,347	507	536	525
Memphis	397,774	442,627	624	637	709
Milwaukee	199,770	210,132	717	278	293
New Orleans	200,237	227,161	593	337	383
Pittsburgh	91,362	93,725	520	175	180
St. Louis	170,188	166,223	622	273	267
San Antonio	159,197	195,999	654	243	300
San Diego	130,114	133,694	697	186	192
San Francisco	343,851	352,701	716	480	493
Seattle	314,303	308,831	531	591	582
Washington, D.C.	394,403	536,480	757	521	709

* "City Government Finances, 1970-71, 1971-72," Bureau of the Census, Department of Commerce.

Table III

DEBT ISSUED IN 1973

Sept. 1

Public Ways, Construction of	$ 2,500,000	
Urban Redevelopment	6,500,000	
Capital Improvements, Health & Hosp.	8,000,000	
School Construction	10,000,000	
		$27,000,000

ISSUED IN 1974

June 1

Add'l Dept. Equip. (Schoolhouse Kitchens)	$ 200,000	
" (Parks & Recr.)	300,000	
"	500,000	
Sidewalks	500,000	
Rem., Recons. Extra. Rep. (SCCH)	50,000	
" (Pub. Bldgs.)	500,000	
" "	1,000,000	
Public Ways	1,000,000	
Sewerage	1,500,000	
Urban Redevelopment	85,000	
"	250,000	
"	275,000	
"	390,000	
"	425,000	
"	1,000,000	
"	1,400,000	
"	2,000,000	
"	2,000,000	
"	300,000	
Public Buildings (Public Works)	300,000	
" (Parks & Recr.)	900,000	
School Buildings	1,000,000	
Public Buildings (Fire)	1,250,000	
" (Parks & Recr.)	2,500,000	
" (Garage)	2,700,000	
" (Health & Hosps.)	6,000,000	
School Buildings	6,285,000	
"	8,500,000	
		43,110,000
		$70,110,000

Table IV

LOANS AUTHORIZED BUT NOT ISSUED

June 30, 1974

Date of Order	Purpose	Inside Debt Limit	Outside Debt Limit
7-13-56	Off-Street Parking Facilities		$ 475,000
8-20-57	Urban Redevelopment (West End)		500,000
7-21-66	Off-Street Parking Facilities		750,000
11-27-68	Urban Redevelopment (Sch-Franklin, Boylston-Essex)		2,607,000
2-3-69	Urban Redevelopment (South Cove)		4,000
5-13-69	Remod., Recons., Ext. Repair Suffolk County Courthouse Buildings	$ 175,000	
5-13-69	Planning, Des., Acq. Land (Police)		1,300,000
6-4-69	Urban Redevelopment (South Station)		2,453,000
6-25-69	Urban Redevelopment (St. Botolph St., Eld. Housing)		390,000
1-26-70	Planning, Des., Acq. Land (Health & Hospitals)		6,000,000
3-18-70	School Projects, Chap. 645, Acts of 1948		8,500,000
5-6-70	Remod. Recons., Ext. Repairs	900,000	
5-6-70	Planning, Des., Acq. Land (Fire)		750,000
5-6-70	Planning, Des., Acq. Land (City Garage)		4,300,000
5-6-70	Planning, Des., Acq. Land (Police, Fire)		500,000
7-13-70	Urban Renewal, North Harvard St.		3,900
10-16-70	Planning, Des., Acq. Land (Penal Insts.)		450,000
11-13-70	Sumner St. Pub. Housing Urban Renewal Project		100,000
5-5-71	Construction of Sewers	1,100,000	
6-30-71	Waterfront-Faneuil Hall Urban Renewal Project		1,915,000
1-10-72	Charlestown Urban Renewal Project		6,200,000
1-19-72	Park Plaza Urban Renewal Project		6,800,000
6-15-72	Remod., Recons., Ext. Repairs to Public Bldgs.	600,000	
6-15-72	Cons., & Laying of Aqueducts & Water Mains		500,000
7-14-72	Planning, Des., Acq. Land & Orig. Eq. Struct. & Facil., Parks & Recreation		1,750,000
8-1-73	School Projects, Ch. 645 of 1948		43,715,000

Table IV
Cont.

Date of Order	Purpose	Inside Debt Limit	Outside Debt Limit
8-1-73	Construction of Buildings	$14,560,000	
8-1-73	Remod., Recons., Ext. Repairs to Bldgs.	1,960,000	
8-1-73	Cons. of Sidewalks	1,000,000	
8-1-73	Public Ways, Construction of	3,500,000	
8-1-73	Add'l Departmental Equipment	1,000,000	
8-1-73	Planning, Des., Acq. Land Cons. & Orig. Eq. Struct. & Facil.		$ 1,415,000
9-27-73	Economic & Industrial Development C 1097 of 1971		7,000,000
9-27-73	Replacement of Girls Latin School		3,000,000
10-3-73	Brunswick-King Urban Renewal Project		3,500
11-8-73	South End Urban Renewal Project		10,400,000
11-8-73	South Cove Urban Renewal Project		5,625,000
11-21-73	Downtown Waterfront-Faneuil Hall Urban Renewal Pfoject		3,000,000
11-21-73	School Projects, Ch. 645 of 1948		150,000,000
4-3-74	Public Lighting Installations	2,000,000	
4-3-74	Remod., Recons. on Ext. Repairs to Public Buildings, School Dept.	1,500,000	
4-3-74	Add'l Departmental Equipment	1,500,000	
5-28-74	Construction or Recons. of Bridges	500,000	
5-28-74	Laying & Relaying Water Mains		1,500,000
5-28-74	Constructing & Recons. & Laying & Relaying Aqueducts & Water Mains		1,500,000
5-28-74	Remodeling, Recons. or Major Alterations, Additions, Major Repairs to Existing Facilities	4,300,000	
5-28-74	Planning, Des., Acq. Land for, Const. & Orig. Eq. Structures, Library		2,000,000
5-30-74	Public Ways, Construction of	4,500,000	
5-30-74	Sidewalks, Construction of	1,000,000	

Table IV
Cont.

Date of Order	Purpose	Inside Debt Limit	Outside Debt Limit
5-30-74	Planning, Des., Acq. Land for Constructing Facilities; Reconstructing, Making Major Alterations, Additions and Major Repairs Off Street Parking Areas		$ 1,500,000
5-30-74	Washington Park Urban Renewal Project		2,500,000
5-30-74	Government Center Urban Renewal Plan		2,400,000
6-10-74	Planning, Des., Acq. Land for, Constructing, & Remodeling, Recons. Major Alterations etc., Parks		6,200,000
		$40,095,000	$288,006,400

Inside Debt Limit	$ 40,095,000
Outside Debt Limit	288,006,400
	$328,101,400

Table V

CITY AND COUNTY FUNDED DEBT

Gross Funded Debt 12-31-72		$345,603,500.00
Add Funded Debt Issued in 1973-4:		
City Debt		70,110,000.00
		$415,713,500.00
Deduct Funded Debt Paid in 1973-4:		
City Debt	$30,124,000.00	
Water Debt	345,000.00	
Rapid Transit Debt	2,907,000.00	33,760,000.00
Gross Funded Debt 6-30-74		$382,337,500.00
Sinking Funds 12-31-72	$20,040,023.53	
Receipts	405,183.45	
	$20,445,206.98	
Payments	3,018,300.64	
	$17,426,906.34	
Less Reserve for Payment of Interest on Debt	34,801.59	
Total Redemption Means		17,392,104.75
Net Funded Debt 6-30-74		$364,945,395.25

	Gross Debt	Sinking Funds	Net Debt
City Debt	$361,352,000	$ 531,604.75	$360,820,395.25
Water Debt	4,125,000		4,125,000.00
Rapid Transit	16,860,500	16,860,500.00	- - -
	$382,337,500	$17,392,104.75	$364,945,395.25

Table VI

METROPOLITAN NET DEBT

JUNE 30

BOSTON'S SHARE

	1972	1973
Sewer	$ 35,064,480.58	$ 33,521,070.85
Water	66,751,267.63	69,256,461.13
Park	13,353,251.58	13,301,629.47
	$115,168,999.79	$116,079,161.45

Table VII

OUTSTANDING CITY, SEWER & WATER DEBT, JUNE 30, 1974

(Rapid Transit Omitted)

Purpose	Outstanding 12-31-72	Issued 1973-4	Cancelled 1973-4	Outstanding 6-30-74
Bridges, Miscellaneous	$ 4,190,000		$ 545,000	$ 3,645,000
Funding Loan	13,000,000		3,350,000	9,650,000
Miscellaneous:				
Parking Facilities	10,300,000		895,000	9,405,000
Departmental Equipment	4,240,000	$ 1,000,000	1,320,000	3,920,000
Extraordinary Repairs	17,260,000	1,550,000	2,745,000	16,065,000
Urban Redevelopment	41,945,000	14,625,000	2,440,000	54,130,000
Automatic Traffic Cont. Signals	195,000		25,000	170,000
Acq. Land, Parks & Playgrounds	450,000		25,000	425,000
Municipal Auditorium	4,065,000		340,000	3,725,000
New City Hall	19,180,000		1,040,000	18,140,000
Public Bldgs. Excl. Schoolhouses	76,805,000	21,650,000	5,355,000	93,100,000
Schoolhouses and Sites	99,560,000	25,785,000	6,975,000	118,370,000
Sewers, Miscellaneous	7,981,000	1,500,000	874,000	8,607,000
Streets:				
Public Ways Construction of	18,780,000	3,500,000	3,465,000	18,815,000
Sidewalks	2,450,000	500,000	670,000	2,280,000
Water, Miscellaneous	4,470,000		345,000	4,125,000
Relocation Payments	965,000		60,000	905,000
	$325,836,000	$70,110,000	$30,469,000	$365,477,000

Table VIII

DEBT REQUIREMENTS TO BE RAISED BY TAXATION IN RECENT YEARS

1974-5	$49,505,559.00	
1973-4	59,274,436.70	18 month, Interim Period
1972	37,890,886.91	
1971	34,866,885.22	
1970	25,931,976.12	
1969	26,963,989.68	
1968	18,794,372.30	
1967	15,739,348.32	